

Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 OMB-01 SAJ-01 CIAE-00 DODE-00 PM-07

H-03 INR-10 L-03 NSAE-00 NSC-07 PA-04 RSC-01 PRS-01

SP-03 SS-20 USIA-15 AID-20 COME-00 EB-11 FRB-02

TRSE-00 XMB-07 OPIC-12 CIEP-02 LAB-06 SIL-01 CU-04

SCI-06 STR-08 DRC-01 AGR-20 /202 W

----- 066039

R 031329Z APR 74

FM AMEMBASSY BUDAPEST

TO SECSTATE WASHDC 1102

AMEMBASSY BELGRADE

AMEMBASSY BUCHAREST

AMEMBASSY MOSCOW

AMEMBASSY PRAGUE

AMEMBASSY SOFIA

AMEMBASSY WARSAW

USMISSION BERLIN

AMCONSUL MUNICH

C O N F I D E N T I A L SECTION 01 OF 02 BUDAPEST 0806

E.O. 11652: GDS

TAGS: PINT, PFOR, HU

SUBJ: INTERPRETATIONS OF RECENT POLICY AND PERSONNEL CHANGES
STEMMING FROM MARCH 22-23 HSWP CC MEETING

REF: BUDAPEST 0682, 0703, 0708

1. FOLLOWING IS BASED ON CONVERSATIONS EMBASSY OFFICERS
HAVE HAD RECENTLY WITH HUNGARIAN OFFICIALS, MEMBERS OF
OTHER DIPLOMATIC MISSIONS, AND SOME MEMBERS OF GENERAL PUBLIC.

2. NON-SOCIALIST DIPLOMATS: IN MAIN DIPLOMATS IN
THIS CATEGORY ALL AGREE THAT AN INTERNAL TIGHTENING-UP,
BOTH POLITICALLY AND CULTURALLY, IS IN OFFING, IF NOT
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ALREADY PRESENT. TWO EMBASIES (GREEK AND FRENCH)

BELIEVE THAT TIGHTENING-UP PROCESS WILL EXTEND TO BILATERAL RELATIONS. OTHERS (BRITISH, DANISH, FINNISH, JAPANESE) BELIEVE THAT MAIN PURPOSE OF TIGHTENING-UP PROCESS IS TO INSULATE HUNGARIAN SOCIETY AGAINST WESTERN EXPOSURES AT A TIME WHEN ECONOMIC, POLITICAL AND CULTURAL RELATIONS WITH WEST ARE EXPANDING. THEY DO NOT SEE ANY REASON TO EXPECT SETBACK IN BILATERAL RELATIONS IN ANYTHING STEMMING FROM RECENT HSWP CC MEETING. JAPANESE AMBASSADOR AND BRITISH AND DANISH CHARGES ARE OF OPINION THAT NO REALLY SATISFACTORY EVALUATION CAN BE MADE UNTIL SEVERAL MONTHS HAVE ELAPSED. THEY DO NOT EXPECT PRESENT ECONOMIC POLICY TO BE REVERSED, ALTHOUGH THEY AGREE THAT OBVIOUSLY SOME ADJUSTMENTS ARE TO BE MADE. QUESTION IS WHERE AND HOW. DANES EXPECT GOH TO PAY GREAT ATTENTION TO MEASURES DESIGNED TO DETER ACQUISITION OF LUXURIES BUT ADMIT THAT DEFINING A LUXURY IN HUNGARY DEMANDS VERY CAREFUL THOUGHT. BOTH JAPANESE AND FINNISH AMBASSADORS HAVE REASON TO BELIEVE GDR HAD AN IMPACT ON HUNGARIAN DECISIONS SINCE IT HAS BEEN ONE OF PRINCIPAL CRITICS OF HUNGARIAN ECONOMIC SUCCESS. FINNISH AMBASSADOR CLAIMS HE WAS TOLD BY A PRESIDENT OF BANK OF ENGLAND THAT WHEN PATOLICEV VISITED HUNGARY LATE LAST YAR HE HOTLY ACCUSED HUNGARIANS OF DEVELOPING BOURGEOIS RATHER THAN SOCIALIST STATE.

3. OTHER DIPLOMATS: YUGOSLAV DCM SAYS GREAT DEAL OF HUNGARY'S PROBLEMS STEM FROM SUCCESSES RATHER THAN FAILURES OF NEM. HUNGARIANS HAVE BUILT UP LARGE TRADE SURPLUSES WITHIN CEMA AND HAVE BEEN UNWILLING TO USE THESE FUNDS FOR PURCHASE OF GOODS NOT UP TO HUNGARIAN MANUFACTURING STANDARDS. TO ADD TO THEIR WOES, YUGOSLAV SAYS HUNGARIANS BRAG ABOUT THEIR SUCCESS TO OTHER EE COUNTRIES WHICH DOES NOT SET WELL WITH OTHER WP COUNTRIES WITH PROBLEMS THEY HAVE BEEN UNABLE TO RESOLVE. YUGOSLAV CITED EAST GERMANS AND SOVIETS AS BEING HUNGARY'S SHARPEST CRITICS BUT DOUBTS THAT SOVIETS PLAYED DIRECT ROLE IN AFFECTING RECENT PERSONNEL CHANGES.

YUGOSLAV CONTENDS THAT BASIC ISSUE HAS BEEN FAILURE OF NEM TO PROVIDE BENEFITS TO INDUSTRIAL WORKERS EQUAL TO THOSE DERIVED BY OTHER SECTORS OF SOCIETY, SUCH AS

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PEASANTRY, WHITE COLLAR WORKERS AND INTELLECTUALS. SAYS CC DETERMINED TO REASSERT CONTROL OVER ECONOMIC POLICY AND TO CHANGE SOCIAL COMPOSITION OF HSWP BASIC ORGANIZATIONS SO THAT ITS PROLETARIAN BASE IS MORE EVIDENT AND PARTY IS LESS SUBJECT TO CRITICISM THAT IT IS NOT SOCIALIST. SAYS IT IS SIGNIFICANT THAT FEHER, WHO HAS BEEN MAIN ARCHITECT OF AGRICULTURAL POLICY, HAS BEEN REMOVED. MAIN REASON, HE CLAIMS,

IS BECAUSE OF VERY SUCCESS OF KADAR PROGRAM TO ELEVATE STANDARD OF LIVING OF PEASANTS WHICH HAS REACHED A POINT HIGHER THAN THAT OF MANY INDUSTRIAL WORKERS. VUKUSIC BELIEVES KADAR'S STATUS HAS BEEN REINFORCED AND THAT HE STUBBORNLY WILL RESIST EFFORTS TO CHANGE FUNDAMENTALS OF NEM. HE PROFESSES TO KNOW OF NO PLANS FOR IMMEDIATE RETIREMENT OF KADAR, INSISTING THAT HE IS STILL IN VERY FIRM CONTROL OF HIS PARTY.

ROMANIAN DCM SCOFFED AT IDEA CHANGES MEAN SHIFT AWAY FROM NEM, CLAIMING THAT 1973 WAS BEST YEAR SINCE NEM WAS INAUGURATED. HE ARGUED THAT NEM SUCCESS THIS LAST YEAR ATTRIBUTABLE TO DECISIONS MADE AT NOVEMBER 1973 CC SESSION TO TIGHTEN AND CENTRALIZE CONTROLS. HE EXPECTS NO MORE DRASTIC POLITICAL AND CULTURAL TIGHTENING UP IN HUNGARY THAN IN ROMANIA AND ATTRIBUTES WHATEVER CHANGES WILL TAKE PLACE TO POLICIES AGREED ON AT RECENT SESSIONS OF POLITICAL SECRETARIES AND AGIT-PROP LEADERS OF WARSAW PACT COUNTRIES. (THIS VARIES SOMEWHAT FROM VERSION ROMANIANS PROVIDED SWISS DCM WHO SAYS HE WAS TOLD BASIC DECISION RE NEM MADE DURING BREZHNEV'S 1972 VISIT TO BUDAPEST. ROMANIANS TOLD SWISS THEY EXPECTED CHANGES IN ECONOMIC POLICY TO BE GRADUAL, NOT DRASTIC OR RADICAL, BECAUSE OF PROBLEM OF POPULAR REACTION). INDIAN DCM WHO HAS SERVED IN MOSCOW, LIKE FRENCH, GREEKS AND IRANIANS, BELIEVES SOVIETS PLAYED KEY ROLE IN BRINGING ABOUT CHANGES.

4. HUNGARIAN VIEWS: MOST OFFICIAL HUNGARIANS HAVE CAUTIONED US ABOUT DRAWING TOO MANY CONCLUSIONS FROM RECENT PERSONNEL CHANGES. THEY SAY INITIAL REACTION OF WESTERN COUNTRIES AND WESTERN PRESS DID NOT SURPRISE THEM. ONE RANKING FOREIGN OFFICE OFFICIAL OBSERVED THAT WHEN FOCK REPLACED KALLAI IN 1967 THERE HAD BEEN CON-
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SIDERABLE UNEASINESS IN WEST BECAUSE CHANGE HAD BEEN INTERPRETED TO MEAN THAT CONSERVATIVE PARTY-MINDED FOCK HAD REPLACED A LIBERAL KALLAI. OBVIOUSLY THIS WAS ERRONEOUS CONCLUSION AND DIPLOMATIC OBSERVERS

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